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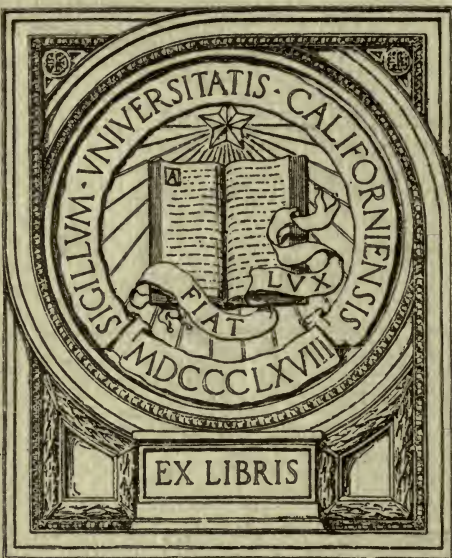
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SOME OFTEN OVERLOOKED
POINTS REGARDING GOVERNMENT
OWNERSHIP OF RAILWAYS

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ADDRESS

delivered by

MR. SAMUEL O. DUNN
Editor of the Railway Age Gazette

before the

TRAFFIC CLUB OF NEW ENGLAND



BOSTON, MASS.

DECEMBER 6, 1912



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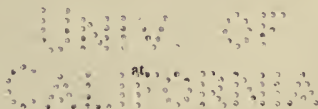
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UNIT OF
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SOME OFTEN OVERLOOKED POINTS REGARDING GOVERNMENT OWNERSHIP.

BY SAMUEL O. DUNN,
Editor of the Railway Age Gazette.

At intervals for a long time different men whose views are of great weight have said that unless certain things were done, or others ceased to be done, in the United States government acquisition and operation of the railways would result. William J. Bryan, on returning in 1906 from a trip around the world, made a famous speech at Madison Square Garden, New York City, in which he announced himself in favor of government ownership of railroads. He believed that "railroads partake so much of the nature of a monopoly that they must ultimately become public property and be managed by public officials in the interest of the whole community." Mr. Bryan's views were unanimously criticized and denounced by the Republican press; they met dissent and condemnation from most of the Democratic press; and it soon was evident that the press reflected public opinion. Mr. Bryan himself was so convinced of this that when in 1908 he was nominated by the Democrats for president he said that he did not consider government ownership an issue in the impending campaign. But his opponents used his pronouncement against him; he was beaten; and doubtless it helped in his defeat.

No prominent American public man has since advocated government ownership of railways. But there are many students of the railway problem, and many keen observers of public affairs, who doubt if this incident

meant much. Mr. Bryan's speech was ill-timed. The Hepburn act, giving the Interstate Commerce Commission largely increased power, had just gone into effect; and both those who had little and those who had much faith in the new policy of regulation were disposed to grant it a fair trial. Nor was Mr. Bryan's plan such as strongly to attract even the friends of government ownership. Out of deference to the state's rights traditions of his party he suggested that the states acquire and operate the branch lines and the nation the main lines. Most of those who favored government ownership in principle saw that this scheme would be unworkable in practice.

W. M. Acworth, the English authority on railway economics—best-informed and keenest of foreign students of American railways—believes that the United States “will get much nearer to the brink of nationalization than they have come at present and will then start back on the edge of the precipice and escape by some road not yet discernible.”¹

Doubtless some advocates of increased government regulation have predicted that if the policies they favored were not adopted government ownership would result, not so much because they believed this, as because they wished to frighten those who opposed them. Doubtless, also, some who have opposed certain increases of government regulation have said that, if adopted, they would lead to government ownership, not so much because they believed this as because they wished to prevent the additional regulation. But unquestionably there are many keen and foresightful students of passing events, some of whom are against government ownership, and some of whom

¹Bulletin of the International Railway Congress for August, 1911.

favor it, who are convinced that we are moving toward it. This being the case it is desirable that so far as the question is considered it shall be considered on its merits. No question can be thus considered when there are prevalent serious misconceptions regarding the facts bearing on it. There are a number of such misconceptions prevalent regarding the question of government ownership as it presents itself to us in this country; and it is to some of them that I intend to address myself.

THE EXTENT OF GOVERNMENT OWNERSHIP.

For example, because of the number of countries which within the last half century have adopted government ownership there is an impression that it has become the prevalent railway policy of the world, or at least that of most of the leading nations. In point of mileage of line, however, the railways owned by companies still greatly exceeds the mileage owned by states. In 1910 the total mileage of line in the world was 638,611 miles; and of this 187,952 miles, or only 29.43 per cent., was owned by states and 450,659 miles, or 70.57 per cent. by companies.¹ The bulk of the company-owned mileage is in the United States, the mileage of this country being 240,667 miles in 1910, when the *Archiv fur Eisenbahnwesen* made its most recent compilation of the world's railway mileage; but the privately-owned mileage in other countries at that time was 209,992 miles, or 22,040 miles greater than the total state-owned mileage. Some lines owned by companies are operated by the states, and some lines owned by governments are leased to companies; but the proportion of state-operated to company-operated mileage is

¹*Archiv fur Eisenbahnwesen*, May and June, 1912.

about the same as the proportion of state-owned to company-owned mileage.

Nor does it give a correct idea to say that government ownership has been adopted by most leading countries. Germany has adopted it; but Great Britain adheres to private ownership. Most of the railways of Austria-Hungary are state-operated, but most of those of France are still in private hands. Most of the railways of Italy and Russia are state-operated, but in the principal country of South America, Argentina, with a mileage greater than that of Italy, and in Canada, with a large and rapidly increasing mileage, private ownership is greatly preponderant. Japan is committed to government ownership, but in the United States, with a mileage exceeding that of the combined state-owned railways of all the world, private management is the exclusive policy.

In Belgium, Finland, Denmark, Switzerland, Norway, Bulgaria, Servia, Roumania, Egypt, Honduras, Siam, Newfoundland, Australasia, Ceylon, Cape of Good Hope, Natal, Orange River Colony and Transvaal, British East Africa, Northern and Southern Nigeria, Gold Coast, Sierra Leone, the Federated Malay States, Jamaica and Mauritius, government ownership and operation are the preponderant policy. In Sweden, Portugal, Spain, Turkey, Greece, Algeria, Tunis, Brazil, Paraguay, Uruguay, Cuba, China, Rhodesia, and British Guiana private ownership and operation preponderate. In Chile the mileages of the state and private lines are about equal. In Holland most of the mileage is owned by the state, but all of it is operated by private companies. In Peru, as in Holland, most of the mileage is state-owned, but all is privately-managed. In India most of the mileage is state-owned, but most of it is operated by companies. In Mex-

ico private companies built all the lines and still operate them, but the state has acquired a controlling part of the companies' stock. The railways of Nicaragua and Guatemala are state-owned; but they are leased to and operated by private companies.

The foregoing shows there is great diversity in the railway policies of different countries. There is often no want of variety in the same country. In only a few do public ownership and operation obtain exclusively; and, on the other hand, seldom have ownership and operation been remitted wholly to private hands. In some countries there is private operation of publicly-owned lines, in others public operation of privately-owned lines; and occasionally—in Austria for example—there are found side by side public operation of state-owned lines, private operation of privately-owned lines, state operation of privately-owned lines, and private operation of state-owned lines.

CONDITIONS LEADING TO GOVERNMENT OWNERSHIP IN OTHER COUNTRIES.

Another of the misconceptions prevalent is that the same conditions and arguments that converted the people of other countries to government ownership exist, and are applicable, here. This is very far from the fact. Universally where government ownership obtains the conditions preceding and surrounding its adoption were quite unlike past and present conditions here.

In the first place, in the United States legislation seldom has anticipated and provided means for the acquisition of the railways by either the states or the nation. Their franchises usually have been granted practically in perpetuity. In many other leading countries laws early

were passed contemplating and providing means for state purchase. After 1833 every concession granted in France contained a provision under which the projected road could be taken over by the government. Prussia enacted in 1838 that the state might, after a certain time, acquire and operate railways whose interest it guaranteed. Even Great Britain, as early as 1844, fixed by law the terms under which the railroads could be bought. With the specific idea of state acquisition of the railways, Switzerland in 1851 provided that those who built public works under legislation by the Federation should be bound to cede them at any time for full compensation. When the kingdom of Italy in 1865 first disposed of its railways to companies it kept an option for their repurchase. While in the United States practically from the first private ownership and management was considered the natural and almost inevitable policy, in many other countries public ownership was thus regarded. Where a certain policy is looked on as natural and probable it is more likely to be adopted than where the opposite is the case. Human nature inevitably gravitates toward courses of conduct or policy that are deemed natural and suitable, unless something occurs to check the tendency.

Doubtless the cause of this attitude of the statesmen and people of numerous countries was that they had been used to seeing their governments take an active and leading part in industrial and commercial affairs, either by fostering or restrictive regulation or by carrying on commercial or industrial enterprises. The necessary complement and effect of active participation by the organized people through their government in industry and commerce is limitation of the industrial and commercial initiative and opportunities of individuals. Therefore,

we find that in many of the countries where provision early was made for state purchase provision also was early made for giving state subsidies in aid of railway construction.

EFFECT OF THE SUBSIDY POLICY IN OTHER COUNTRIES.

Although most of the railways of France are privately operated, a large part of the capital for their development has been furnished directly or indirectly by the state. Likewise, Prussia and the other German states, Italy, Austria-Hungary, British India, and many other countries have aided private companies by guaranteeing their securities. In the early railway history of the United States subsidies were given here, but most of them were outright donations. The land grants made became absolute when the mileage on whose construction they were contingent had been built. Where the state or local governments acquired securities they usually disposed of them soon to the best advantage they could. The cash advances of the federal government to the companies that built the Pacifics were after a long time practically all paid back. In other words, the direct financial relationships formed between the railways and the national, state and local governments in the United States were not only meant to be temporary, but usually were soon entirely terminated. On the contrary, many European governments assumed and retained more the relationship of the holder of a first mortgage so large that it covered a great, and perhaps a preponderant, share of the investment.

The result in the United States was that when the railways became financially embarrassed, as many of them did, they went through receiverships which left them in

the hands of the private capitalists who had controlled them, or transferred them to other private capitalists, while the subsidy policy of Europe has in many cases had a direct causal connection with the adoption of government ownership. It was largely because of their financial embarrassments and because the state was one of their principal creditors, that ten small companies in France were taken over by the government in 1877-78. It was mainly because its debt to the state had become very great that the Western Railway of France was taken over about thirty years later. It was after the panic and depression of 1845-1848, when roads for which it had made guarantees of interest became financially embarrassed, that Prussia acquired a number of small roads and began operating them.

The kingdom of Italy, which inherited a confused network of railroads from the different states into which the country had been divided, sold them in 1865 to four companies. The roads were unable to meet their obligations to the state, and in a short time were back in its hands. After another trial of private management it was again chiefly owing to financial reasons that the lines once more returned to the state in 1905. In Austria, also, the subsidy policy was followed, and the panic of 1873, by bankrupting many lines and throwing them on the support of a paternal government, marked the turning point in Austrian railway policy. Previously the state had preferred to get rid of its own railways to private capitalists.

MANY GOVERNMENTS WERE EARLY RAILWAY BUILDERS.

The beginning of government ownership in Australia was owing to a cause not wholly dissimilar. It was due, not to want of private enterprise, but to the fact that just when the need for railways became imperative the available private enterprise and capital turned to gold mining instead of to railway building. In India the British government became a builder, owner and manager of railways reluctantly. If they were to be adequately provided it must be by the government.

Another important point is that in several countries the governments were themselves among the first railway builders. When, owing to any cause, a government already has railways, especially if it has met with some success with them, this fact creates a tendency for it to acquire those of private companies. King Leopold built the first railways in Belgium, and it was the intolerable competition of the private with the state lines which many years later caused the Belgian government to begin acquiring the former. In Prussia the first state railway was built as long ago as 1848. The various Italian states began railway construction on their own account about the same time. The Austrian and Hungarian governments have built and managed railways since the beginning of railway history. The first railway in Japan was built by the state, and its recent acquisition of the privately-owned mileage was not a revolutionary change of policy but simply the addition of the relatively large privately-owned net to the already existing state lines.

POLITICAL AND MILITARY MOTIVES.

Political and military motives also have played an important part. In Belgium it was fear of the hated capitalists of Holland, from which his country had only recently been separated, that first stimulated King Leopold to begin railway construction. One of the most effective arguments used for the adoption of government ownership in Switzerland was that a large part of the stock of the railways was owned by foreigners, and that this involved political and military dangers for the republic. State purchase was urged by Bismarck in Germany as a means of binding the parts of the new empire together and making the entire railway system available for military purposes on a month's notice. Similar motives, and the example being set by Germany, stimulated France to acquire the several small railways taken over in 1877-78, and the government of Austria to push forward a policy of state acquisition. Political and military reasons also at about the same time influenced Italy to acquire from the Austrian government and Austrian capitalists their stock in the railways of upper Italy. It was almost solely to bind more closely together the French and English provinces that Canada acquired and built the different parts of the Intercolonial. The government of Mexico is understood to have bought a majority of the stock of the railways of that country because much of it was owned in the United States, and it was understood that some American railway "magnates" were seeking to get control of the Mexican lines and make them an appendage of one or more of the large systems in the United States. It was feared this might cause international complications.

Strictly economic reasoning, as distinguished from economic conditions, usually has played some part in bringing about state ownership. In Switzerland one of the effective arguments was that public ownership would lead to reductions in passenger and freight rates and increases in wages. Bismarck and his supporters indicated that after state acquisition in Germany the net earnings of the railways would first be used to pay interest and to liquidate the railway debt, after which the aim would be barely to earn working expenses, excess receipts being wiped out by reductions in freight and passenger rates. This policy has not been carried out. Capital for improvements and extensions has been raised by increases in the debt. Earnings over operating expenses and interest requirements have been used to pay current expenses of the government.

While, however, arguments based on economic grounds often have been factors in bringing about government ownership probably in very few countries would they alone have done so. Where the most exhaustive study of the question from an economic standpoint was made, viz., in Italy, the decision was against government ownership.

REASONING HERE MUST BE ON ECONOMIC GROUNDS.

Now, there are no laws in the United States providing the means of state purchase. There do not exist any financial relations between the railways and the state and national governments that have any tendency to lead to government ownership. There are no state-owned railways with which the privately-owned railways compete, as there have been in most countries where government ownership has prevailed. Not enough of the stock

and bonds of our railways is held abroad to enable foreigners to exercise any considerable influence over their management. There is no necessity for the public to subsidize or engage in the construction of railways to provide a sufficient mileage; railway development under private ownership has gone on faster in the United States than in any other country, except, in recent years, in Canada. There is no political condition such as the need for binding together different and widely separated sections of the country to argue for public ownership. There is no need for the central government to have absolute control of the railways for military reasons; the United States is not surrounded, as is each of the countries of Europe, with nations with which it may at any time be plunged into war.

So, the mere *fact* that many other countries have adopted public ownership cannot validly be advanced as an argument for that policy in the United States, because they have been influenced by conditions which do not exist here, and by reasoning which is not applicable here. The case for government ownership in this country, if it is to be made out, must be based entirely on economic grounds—a thing that never yet has been successfully done in any country.

Will the cost of capital be less under government than under private ownership? Would public management be more economical and efficient than private management? Under which will the service rendered to the public be the better? Under which will rates be lower? Under which will rates be fairer, as between individuals, classes, and communities? Under which will the financial results be better on the whole to the public? Would the condition of railway labor be better under government than

under private management? Would government ownership tend to improve or to impair our political morality? These are the questions to be considered. And the burden of proof is obviously on those who favor public ownership, not on those who oppose it. The burden is on them to show by a clear preponderance of the evidence that the change would be beneficial. Otherwise, the public would not be justified in adopting so revolutionary a policy.

WHY GERMAN EXPERIENCE IS INAPPLICABLE.

And in supporting the burden of proof it will not be enough for them to show, if they can, that some government railways are as well managed as, or even better managed than, ours. Many advocates of government ownership say that Germany has benefited by that policy, and conclude from that that we should follow Germany's example. It would be just as logical to say that Germany has good government under an imperial autocracy, and that, therefore, we should have an imperial autocracy. As a matter of fact, the great difference between Germany's form of government and ours makes any argument for government ownership based on the results secured under it there almost wholly inapplicable here. Conceding the success of government ownership in Germany, let us consider the form of their railway organization.

The Bundesrath, composed of representatives of the various states forming the empire, and constituting the upper house of the imperial parliament, has general supervision over all the railways of the German Empire and adopts regulations governing their operation. Its executive office is the Reichs-Eisenbahn-Amt. The presi-

dent and members of this body are appointed by the Emperor, its subordinate officers by the Imperial Chancellor, and its duty is to see that all imperial laws and regulations regarding railway operation are carried out, and to prepare measures affecting railways for the consideration of the Bundesrath. It conducts its business under instructions from, and on the responsibility of, the Chancellor. This outlines the organization of the empire for supervising the operation of the entire railway system of the empire. The different railways, as you know, are, in the main, owned by the different states composing the empire. The most important of these state systems is the Prussian-Hessian. The head of the Prussian-Hessian railway administration is the Prussian Minister of Public Works. He is a permanent official, appointed by the Kaiser and he has large powers of administration and wide authority over expenditures within the limits of the yearly estimates sanctioned by Parliament. Now, the members of the Bundesrath, which acts as a kind of board of directors for all of the railways in the Empire, are appointed by the kings of the various German states, and constitute a body of ambassadors more than a legislative body, and they and their executive arm, the Reichs-Eisenbahn-Amt, live in no fear of the electorate, which cannot control them, and are practically independent of public opinion. Likewise, the ministers of railways, including especially that of the largest system—the Prussian-Hessian—being permanent officers appointed by the kings of the various states, are independent of the voters and lawmakers and of public opinion.

The employes are not permitted to form labor unions, and, indeed, are entirely helpless to get anything from

the railway administration that it does not want to give. Discipline is enforced with military rigor.

It would be impossible to have a government railway organization in this country anything like that in Germany; and this being so there is no good ground for arguing that we would get as good results under public ownership as the Germans do. As one of the great citizens of this state, Charles Francis Adams, said thirty years ago, "In applying results drawn from the experience of one country to problems which present themselves in another, the difference of social and political habit and education should ever be borne in mind. Because in the countries of continental Europe the state can and does hold close relations, amounting even to ownership, with the railroads, it does not follow that the same course could be successfully pursued in England and America. The former nations are by political habit administrative, the latter are parliamentary. * * * Now, the executive may design, construct or operate a railroad; the legislative never can. A country, therefore, with a weak or unstable executive, or a crude and imperfect civil service, should accept with caution results achieved under a government of bureaus." And as W. M. Acworth has said, "Prussia is Prussia, with a government in effect autocratic, with a civil service with a strong *esprit de corps*, and permeated with old traditions, leading them to regard themselves as servants of the king, rather than as candidates for popular favor. I am inclined to think," Mr. Acworth adds, "that the effect of the evidence is that the further a government departs from autocracy and develops in the direction of democracy the less successful it is likely to be in the direct management of railroads." This statement of Mr.

Acworth's is not absolutely accurate, but it is approximately so. It is certain that there are no publicly owned railways in countries having democratic governments that approach in efficiency of management the state railways of Germany.

EFFICIENCY OF PRUSSIAN VS. UNITED STATES RAILWAYS.

Nor is it necessary to concede, in recognizing that the German roads are well managed, that they are better or as well managed as ours are under private ownership. The average freight trainload on our railways in 1909 was 363 tons, and on the railroads of Prussia-Hesse it was only 233 tons, although their density of freight traffic is as great as ours. The wages of labor here are almost three times what they are in Germany; but we handle 100 per cent. as much freight traffic per mile as they do and 25 per cent. as much passenger traffic with less than 50 per cent. as large operating expenses, only a little over 50 per cent. as high cost of road and equipment and only a little over 50 per cent. as large net earnings per mile. Their average passenger rate is lower than ours; but our average freight rate is much lower than theirs. The earnings of our railways from passenger and freight traffic in 1910 averaged \$10,769.48 per mile. If we had applied the Prussian passenger rate to our passenger traffic, and the Prussian freight rate to our freight traffic, the earnings of our railways from passengers and freight would have been increased by \$3,810.78 per mile, or to \$14,580.26 per mile. The application of the Prussian-Hessian passenger and freight rates to the traffic of the railways in our Interstate Commerce Commission Group

II would increase the earnings per mile by about \$12,500 per mile. And bear in mind that the higher rates that are charged in Prussia-Hesse are charged in a country where the wages, both of labor in general and of railway labor in particular are about one-third as high as they are here. I do not think that anyone can intelligently and candidly study the figures without concluding that our railways are more efficiently managed in the interest of the public itself than those of Prussia-Hesse; and the Prussian-Hessian lines are beyond question the best managed state owned railways in the world.

EFFICIENT PUBLIC MANAGEMENT REQUIRES EFFICIENT GOVERNMENT.

The vital prerequisite to efficient management of government railway is, of course, efficient government. Government railway management cannot rise higher than its source. Germany has efficient state railways because she has a government which you must concede to be efficient, whatever else you may say about it. No one would say that our governments, either national or state, have been efficient in the past. Are we moving toward efficiency?

Intelligent and thoughtful men differ about the extent to which government regulation of business should be carried. They agree, however, that under existing conditions some regulation of the transportation and other large industries is necessary. Much legislation for the regulation of railways has been enacted. There is a considerable popular demand for similar regulation of big industrial concerns; and some laws for this purpose have been passed.

These economic and social problems, involving the relations of large business concerns to the public, that the

governments are beginning to grapple with, are more hard and complex than any they have heretofore encountered. It is essential to their righteous and beneficial solution that the laws regarding them shall be drafted and administered by men having enough expert knowledge of the subjects to which they pertain to know what it is right to do, and enough ability and courage to do what they know to be right. It cannot be said that legislation for the regulation of industry always, or even usually, has in the past in this country been drafted, enacted and administered by such men. For example, our laws for the regulation of railways often have been so unreasonable as to harm both the railways and the public, and to be held unconstitutional by the courts. Similarly, our railway commissions, especially those of the states, commonly have been composed of persons chosen purely for political reasons and having no special fitness for their duties. Their general policies and specific acts, therefore, usually have been neither as wise nor of as much benefit as they should have been. Our insurance laws, likewise, have commonly been defective; and our insurance commissioners usually have not been insurance experts, but political experts. Similarly, there is a widespread opinion that our laws for the regulation of large industrial and labor combinations, particularly the Sherman Anti-trust Act, have not been drawn with knowledge and wisdom or executed with impartiality or skill. The bankers, likewise, complain that our currency laws are extremely defective and are vigorously agitating for their amendment. Officers of both the industrial concerns and the railways complain, and I believe truly, that they could not do business under the Sherman law if it were rigorously enforced; and the bankers complain—

and every one knows their complaint is justified—that in times of financial panic they have to hold on to the money of depositors and issue clearing house certificates in open violation of law, simply because if they obeyed existing laws the industry and commerce of the country would be plunged into universal bankruptcy. Could anything be more disgraceful to a nation than to enact and keep in effect laws for the regulation of business which business men must needs break in order to do business in a way that the welfare of the country requires?

ARE WE MOVING TOWARD EFFICIENCY IN GOVERNMENT?

Now that we are embarking on a much more extensive scheme of regulation of industry is there going to be an improvement in this regard? Some encouragement is afforded by the fact that the Interstate Commerce Commission is becoming a more expert body and that some of the state railway commissions are showing themselves superior in ability, courage and fairness to most such bodies in the past.

On the other hand, there is a tendency in our public affairs that discourages the idea that our governments are to grow more expert. This tendency is illustrated by the change within recent years in the attitude of public men generally toward their constituents—a change of the first importance and significance, but on which I have seen little comment. Formerly it was thought that the statesman, whether a member of a state legislature, or of Congress, or the governor of a state, or the President of the United States, should be a leader of public opinion; that he should appear before the people, give to them his views on public questions, advocate the policies he believed to be right and expedient,

and stand or fall according to whether the public, after hearing him, did or did not agree with him. It was understood to be his duty after being elected to do what he considered to be right and in the public interest, even though public opinion at the time might not agree with him. As Macaulay once said in a letter to his constituents:

“The great beauty of the representative system is, that it unites the advantages of popular control with the advantages arising from a division of labor. Just as a physician understands medicine better than an ordinary man, just as a shoemaker makes better shoes than an ordinary person, so a person whose life is passed in transacting affairs of state becomes a better statesman than an ordinary man. In politics, as well as every other department of life, the public ought to have the means of checking those who serve it. If a man finds that he derives no benefit from the prescription of his physician he calls in another. If his shoes do not fit him he changes his shoemaker. But when he has called in a physician of whom he hears a good report, and whose general practice he believes to be judicious, it would be absurd in him to tie down that physician to order particular pills and particular draughts. While he continued to be a customer of the shoemaker it would be absurd in him to sit by and mete every motion of that shoemaker’s hand. * * * My opinion is that electors ought at first to choose cautiously; then to confide liberally; and when the term for which they have selected their member has expired, to review his conduct equitably and to pronounce on the whole taken together.”

Today, on the other hand, we hear preached everywhere the doctrine that the duty of public men is to fall in behind the ephemeral public opinion of their counties, or congressional districts, or states, to march with it wherever it may be going, and to advocate and help pass whatever laws the public may demand, whether in their

own judgment the legislation demanded is equitable or inequitable, for the public interest or against it. From public men who are thus wanting in convictions, or in the courage of them, of whom there are many, the public does not get the benefit of the brave and wise counsel and intelligent action which it is entitled to receive.

At a time when so many public men are not leaders, but avowed time servers and camp followers of public opinion, measures are being adopted in some states and advocated in others which are designed to make the enactment, administration, interpretation and application of our laws reflect even more perfectly every passing wave and whim of public sentiment. I refer to the legislation for the initiative, referendum and recall. The purpose of the initiative is to enable a small part of the voters, usually five to eight per cent., to submit any measure, however trivial or however complex the subject it deals with, to popular vote. Under the referendum, any measure passed by the legislature may be compelled, by petition of a small percentage of the voters, to be submitted to popular vote. Under the recall the question of removing from office any elective official, including judges, may on petition of a small percentage of the voters be submitted to popular determination; and he may actually be recalled by a very much smaller vote than that which elected him.

TENDING TOWARD LESS EFFICIENT GOVERNMENT.

The men at this dinner are American citizens of more than average intelligence. Each of us knows, however, that he is incapable of forming such an intelligent opinion regarding each of the great and complex problems relating to the regulation of business—the tariff problem, the currency problem, the trust problem, the railway prob-

lem, and so on—as would enable him to cast a wise vote on measures relating to each of these subjects or on a proposition to recall a judge who had rendered a decision interpreting or holding unconstitutional a statute pertaining to one of them. We are all more or less familiar with railway affairs, and, therefore, we can, perhaps, form a fairly intelligent opinion about regulation of railways; but most of us would at once admit that we would rather trust their solution to expert lawmakers and administrators in whom we have confidence than to attempt their solution ourselves. But under this new scheme of government the people are not to leave to experts or those capable of becoming experts the solution of these great problems, but they are to try directly to solve them themselves; and if in doing so they pass laws that any official does not administer or any judge does not construe and apply exactly to suit, not a majority of the voters, but a majority of those who happen to vote at the recall election, that official or judge is to “get the hook,” as it is given to fledgling actors on amateur night at some theaters, and be yanked from his office or from the bench. Courts have been established to interpret and apply the laws because it has been assumed that the people in the mass are incapable of doing so, and able lawyers are elected to the bench because it is assumed that they will be most competent to say what is the law. But under this new regime if a judge who knows the law differs regarding what it is from us, the people, who do not know it, we, the people, are to put our ignorance above his knowledge and drag him from his high seat in disgrace.

Is it to be expected that under any such scheme of government the laws passed to deal with complicated and difficult questions involving the proper relations of busi-

ness and government will be wisely adapted to conditions, that their administration will be firm but intelligent and fair, and that their interpretation and application by the courts will be wise, impartial and courageous? The purpose of such legislation, as I have said, is to give effect to every ephemeral whim of popular sentiment or passion; and it is adapted to its purpose. Now, if men and women individually acted in accordance with the dictates of every transitory impulse or passing gust of passion there would be no wise, or virtuous, or honest men or women in the world. And if the people of this country were to act in the same way there would not and could not be any wise, or virtuous, or honest legislation for the regulation or management of business.

You may say that no one would be so foolish as to suggest submitting to popular vote highly technical and complex questions regarding the regulation or public management of business. I answer that in Oregon at the last election there were submitted on a referendum ballot 37 distinct measures, in a pamphlet containing 256 pages of small type; and that among them was a railway bill having this remarkable title: "An Act Entitled 'An Act to provide for a uniform percentage in the relationship of the classification ratings, providing for the establishment of minimum carload weights, to fix the maximum rate on basis of the less than carload rate of the article and the minimum carload weight that may be charged on carload shipments of property, defining the rating upon which the carload rate shall be computed, and prescribing penalties for violations of the provisions of this Act.' "

This measure was adopted, because, while nobody knew what it meant, the voters hoped it might mean a reduction in railway rates. Is that any way to get an intelligent,

deliberate expression of public opinion on any subject of public importance? Is it, in particular, any way to secure expert action on the enormously difficult and intricate questions pertaining to the regulation or management of transportation and industry?

**THE NEED FOR MORE EXPERT ADMINISTRATION IN THE
UNITED STATES.**

What we need in this country is not, as many people seem to think, more "direct" government, which is but another way of saying more ignorant and inexpert government; but what we need is more government under which legislation will be drafted by able, courageous statesmen and enforced by wise, trained, expert, experienced administrators. The need for that kind of government would be much more vital if we should embark on a policy of state socialism; and we are not moving toward that kind of government, but in exactly the opposite direction. I cannot conceive of anything that would lead to more deplorable results for travelers, for shippers and for the taxpaying public than government management of railways officered not by experts but by politicians, manned by labor brotherhoods having an enormous voting power, and directed by referendum; and that, from present indications, is what government ownership in this country would mean. Germany has been successful in the operation of state railways to the extent that she has been for the same reason that she has been so successful in developing and maintaining her army and navy and her system of vocational education, viz., that she has put expertness and efficiency in public affairs above every other consideration. The people of the United States have amply demonstrated their capacity for gov-

erning themselves; but they are very far from having proved their capacity to efficiently govern themselves; and until they begin to move in that direction to advocate taking further steps in the direction of state socialism is a certain indication of ignorance or recklessness or both. I am not opposed to public ownership and management of railways or any other industry simply as a matter of abstract principle. The question involved is not one of abstract principle at all. It is one of practical public expediency; and as a matter of practical public expediency the desirability of taking the operation of our railways out of the hands of managements that compare well in efficiency with any other railway managements in the world, and turning it over to a government or governments that in efficiency compare ill with the governments of several other leading countries certainly seems extremely doubtful. When a man advocates government ownership of railways in this country we may well ask what he proposes to do before that policy is adopted to so increase the efficiency of our government as to make it fit to undertake railway management.



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